

VZCZCXRO0376
RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV
DE RUEHFR #1138/01 1681413
ZNR UUUUU ZZH
R 161413Z JUN 08
FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC 3454
INFO RHEBAAA/USDOE WASHDC
RUCNMEM/EU MEMBER STATES
RUEHKB/AMEMBASSY BAKU 0170
RUEHAH/AMEMBASSY ASHGABAT 0194
RUEHNT/AMEMBASSY TASHKENT 0270
RUEHTA/AMEMBASSY ASTANA 0063
RUEHAK/AMEMBASSY ANKARA 0926
RUEHMO/AMEMBASSY MOSCOW 6125

UNCLAS SECTION 01 OF 02 PARIS 001138

SENSITIVE
SIPDIS

STATE FOR EEB; EUR/WE; SCA

E.O. 12958: N/A

TAGS: [ENRG](#) [ZK](#) [PREL](#) [FR](#)

SUBJECT: ENERGY SECURITY: FRANCE WANTS EU ENGAGEMENT WITH CASPIAN COUNTRIES, DIALOGUE WITH RUSSIA

¶1. (SBU) Summary: Ambassador Steven Mann, Coordinator for Central Asian Energy Issues met May 29 with GOF officials, who outlined French plans to promote energy security during its upcoming presidency of the EU Council. Specific ideas included greater political engagement with Caspian countries, a potentially difficult dialogue with Russia on energy interdependence, and encouragement of regional cooperation both in the Caspian and Black Sea regions.

¶2. (SBU) Ambassador Mann met with David Molho, Technical Advisor to the Prime Minister for Energy, Industrial Policy and Nuclear Safety; and in a separate meeting with MFA officials over lunch, with Christian Masset, A/S equivalent for Economic and Financial Affairs; Isabelle Dumont, Technical Advisor to the Foreign Minister for Russian and Central Asian Issues; Jean Lamy, Director of the Office of Energy and Transportation; and Christophe Sammartano, Desk Officer for Energy.

¶3. (SBU) Molho described reaction to the report former International Energy Agency (IAE) head Claude Mandil recently submitted to the Prime Minister on energy security, which he characterized as generally positive, and which he said France thought could be the basis for the EU's strategic review of energy security due in October. He admitted that some recommendations, such as suspending the Commission's proposed restrictions on foreign investment in network infrastructure, were probably too controversial for adoption. France hoped to raise the profile of energy security in EU deliberations, encourage the EU to speak with one voice, and increase dialogue with both consumer and producer countries. Molho mentioned Finance Minister Christine Lagarde's proposal that morning to put oil prices on the agenda for the upcoming G8 in Japan as an example.

Note: The Mandil report is available at:

(http://www.premierministre.gouv.fr/IMG/pdf/8_04-21_Mandil_Rapport_au_Premier_ministre_final.pdf)

¶4. (SBU) Masset outlined France's "ambitious" plans for its EU presidency, noting that energy security would be one of its priorities. There would be a Ministerial level meeting in September with Central Asian countries, followed by an October EU "Baku process" meeting (either in Baku or Kiev) and an EU summit with Russia in Nice. France was also thinking about a broader conference on energy security that would include non-EU members in December. During its presidency France hoped to promote both EU internal market reforms and increased political engagement with Caspian producers. Companies were looking for this kind of political cover before investing in the Caspian, he said. France also hoped to increase dialogue and move towards an "adult" relation of interdependence with Russia, which Lamy said should involve more detailed discussion of supply, demand, and needed investment. Masset said that France was realistic about the difficulties building such relationship on energy with Russia would entail.

¶5. (SBU) Ambassador Mann noted that the focus needed to be on

developing upstream supplies alongside supporting needed pipeline projects, including the "most desirable" Nabucco pipeline. Caspian countries such as Turkmenistan needed to be encouraged to develop market oriented policies, and Azerbaijan needed to be convinced that it should invest now in developing its gas fields for the future. EU plans to strengthen the portfolios of Special Representative for Central Asia Pierre Morel and Nabucco coordinator Jozias van Aartsen were excellent ideas, but ultimately, until private sector companies were convinced projects made commercial sense, political support alone would be insufficient. Masset noted that there was growing interest from Caspian countries in linkages with Iran. Mann replied that Iran's potential as a supplier was exaggerated. Aside from sanctions issues, it had large internal needs, limited capacity to transport natural gas, and insufficient investment in the energy sector.

¶6. (SBU) Russia too needed to be encouraged to definitively abandon the "old way" of thinking about former Republics as dependencies, Mann said. Gazprom was addicted to cheap central Asian gas, and this promoted underdevelopment of Russia's energy resources and environmentally destructive practices such as flaring. Masset and Lamy offered broad support for this view, but noted the considerable influence Russia wielded with energy companies due to their investments in the country and the size of its reserves. High-profile support for controversial projects like the TransCaspian might not be the most productive way to engage Russia. Masset and Lamy thought a triangular dialogue between the EU, Russia, and Caspian producers, based on the G8 St. Petersburg principles adopted under the Russian presidency was the most likely way to achieve a constructive outcome.

¶7. (SBU) On the utility of greater regional cooperation, Ambassador

PARIS 00001138 002 OF 002

Mann strongly suggested that it needed to have a concrete basis, such as development of oil transport links between Kazakhstan and Azerbaijan, or improving cooperation on energy development between Turkmenistan and Azerbaijan. Jean Lamy suggested Black Sea cooperation might provide a third avenue, and could help deal with the crucial issue of Turkish transit. He noted that differences of approach between Romania (in favor) and Bulgaria (opposed) might make EU implementation of this difficult. Alternatives bypassing Turkey such as LNG transport to Ukraine, or a third pipeline project, did not appear economically viable to the GOF. France hoped instead to use the Energy Community of South East Europe (in which Turkey had observer status) to reinforce the EU rules allowing third party access regardless of infrastructure ownership. They hoped to persuade Turkey to adopt these rules as well.

¶8. (SBU) This cable was cleared by Ambassador Mann.

Stapleton